

Congress of the United States
House of Representatives
Washington, D.C. 20515

January 21, 2009

The Honorable John Paul Woodley, Jr.
Assistant Secretary of the Army (Civil Works)
108 Army Pentagon
Room 3E446
Washington, DC 20310-0108

RE: Reallocation of Water Storage at Denison Dam (Lake Texoma)
Pursuant to WRDA of 1986

Dear Assistant Secretary Woodley:

We are writing to request an explanation of actions being taken by the Tulsa District, U.S. Army Corps of Engineers, in connection with the reallocation of water storage at Denison Dam (Lake Texoma) under section 838 of the Water Resources Development Act of 1986 (WRDA 1986).

Section 838 of WRDA 1986 authorizes the Secretary to reallocate up to 300,000 acre-feet of storage in Lake Texoma from hydropower to water supply. The storage is to be reallocated in increments, as needed, with 150,000 acre-feet reserved for use in Texas and the other 150,000 for use in Oklahoma. With respect to any water supply contract entered into pursuant to section 838, that section further requires the Secretary to determine (A) the amount of hydropower lost as a result of the implementation of the water supply contract, and (B) the replacement cost of the hydropower lost (where replacement cost is defined as the cost to purchase power from existing alternative sources). For any hydropower lost as a result of the implementation of such contract, the Secretary must provide credits to the Southwestern Power Administration (SWPA) of amounts equal to such replacement costs. The SWPA, in turn, is required to reimburse its affected preference customers for their actual costs of replacement power.

In a 1980 rulemaking proceeding, SWPA allocated the entire capacity and energy production at Denison Dam to two wholesale electric cooperatives in eastern Texas – the Rayburn Country Electric Cooperative and Tex-La Electric Cooperative of Texas, Inc. In 2007, Denison hydropower supplied 14% of Rayburn's peaking capacity needs and 40 percent of its peaking energy needs. For the same year, Denison supplied 53% of Tex-La's peaking capacity and 96% of its peaking energy needs. Because of the importance of the Denison hydro resource to these two cooperatives, they actively participated in the legislative process that led to the enactment of Section 838 of WRDA 1986, and it was because of their concerns that the language regarding compensation for lost hydropower was inserted in Section 838(d)(3).

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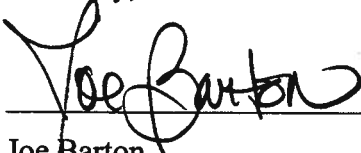
It has come to our attention that the Tulsa District plans to finalize its reallocation report in mid-January, 2009, and forward it to headquarters for final approval. Upon approval, the Tulsa District reportedly plans to enter into water supply contracts for 150,000 acre-feet of storage with two municipal water agencies in north Texas.

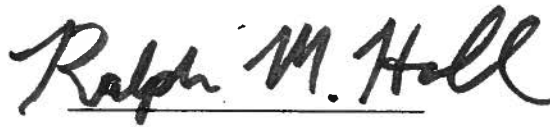
The electric cooperatives have also been informed, through SWPA, that the Corps intends to credit SWPA for the replacement costs of lost hydropower only until the end of 2018, when the cooperatives' existing power contracts expire. Tulsa District personnel have further informed SWPA staff that the power replacement values to be used for the credits will amount to only a fraction of the true cost to replace the peaking capacity and energy lost, as determined by SWPA and the cooperatives. If true, these decisions would appear to contravene the plain terms of Section 838(d)(3) and the spirit of the deal that was struck between water and power interests in 1986.

The Rayburn and Tex-La cooperatives provide affordable, reliable power to hundreds of thousands of residences, farms and businesses in northern and eastern Texas. We recognize the need for municipal water supplies from Lake Texoma, and support implementation of the reallocated water contracts. However, as Ranking and senior Members of the Energy and Commerce Committee, we are concerned that the Corps of Engineers may be on the verge of implementing a major reallocation without complying fully with the language and intent of WRDA 1986. Would you please provide a report on the status of the reallocation and the concerns expressed in this correspondence, and make yourself available for a meeting with representatives of the affected electric cooperatives and the Southwestern Power Administration prior to signing off on the Tulsa District's reallocation report?

Thank you in advance for your attention to this matter of importance to Texas.

Sincerely,


Joe Barton
Member of Congress


Ralph M. Hall
Member of Congress